



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/820,876	04/09/2004	Daniel Breen	SSB0005	9271
27510	7590	06/14/2006	EXAMINER	
KILPATRICK STOCKTON LLP 607 14TH STREET, N.W. WASHINGTON, DC 20005			SUBRAMANIAN, NARAYANSWAMY	
			ART UNIT	PAPER NUMBER
			3624	

DATE MAILED: 06/14/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No. 10/820,876	Applicant(s) BREEN ET AL.	
	Examiner Narayanswamy Subramanian	Art Unit 3624	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 13 February 2006.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-24 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-24 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. This office action is in response to applicant's communication of February 13, 2006. Rejection of claims 12-24 made under 35 USC § 101 indicating lack of technological art, is withdrawn in view of *Ex Parte Lundgren*. Claims 1-24 are pending in the application and have been examined. The rejections and response to arguments are stated below.

Claim Rejections - 35 USC § 101

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 1-24 are rejected under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory Subject matter.

35 USC 101 requires that in order to be patentable the invention must be a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof" (emphasis added).

Claims 1-11 and 23 recite "A financial instrument". It is not clear if the claimed invention is a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof". A financial instrument is essentially a collection of information and rights and as such does not fall into one of the above-mentioned categories.

Claims 12-22 and 24 are rejected under 35 U.S.C. § 101 for failing to produce useful, concrete and tangible result. Claims 12-22 and 24 recite the steps of providing rights that doesn't ensure anything real world, so it lacks tangibility. The result of these steps appears to be that an entity is given certain rights to options. This does not appear to yield a practical application.

Art Unit: 3624

The provision of rights is not tangible, it is an abstract idea. Merely providing rights does not produce a useful result since nothing specific or substantial occurs.

The Court of Appeals for the Federal Circuit issued opinions in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F. 3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ2d 1447 (Fed. Cir. 1999). These decisions explained that, to be eligible for patent protection, the claimed invention as a whole must accomplish a practical application. That is, it must produce a “useful, concrete and tangible result.” *State Street*, 149 F.3d at 1373-74, 47 USPQ2d at 1601 02. To satisfy section 101 requirements, the claim must be for a practical application of the § 101 judicial exception, which can be identified in various ways: (a) The claimed invention “transforms” an article or physical object to a different state or thing. (b) The claimed invention otherwise produces a useful, concrete and tangible result, based on the factors discussed below.

The USPTO’s official interpretation of the utility requirement provides that the utility of an invention has to be (i) specific, (ii) substantial and (iii) credible. See MPEP § 2107.

The tangible requirement does require that the claim must recite more than a § 101 judicial exception, in that the process claim must set forth a practical application of that § 101 judicial exception to produce a real-world result. Benson, 409 U.S. at 71-72, 175 USPQ at 676-77 (invention ineligible because had “no substantial practical application”).

For an invention to produce a “concrete” result, the process must have a result that can be substantially repeatable or the process must substantially produce the same result again. In re Swartz, 232 F.3d 862, 864, 56 USPQ2d 1703, 1704 (Fed. Cir. 2000) (where asserted result

produced by the claimed invention is “irreproducible” claim should be rejected under section 101). The opposite of “concrete” is unrepeatable or unpredictable.

There is no useful, concrete and tangible result produced from implementing the steps of the claimed invention. Claims 13-22 and 24 are rejected for the same reason and by way of dependency on a rejected independent claim.

Claim Rejections - 35 USC § 112

4. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter, which the applicant regards as his invention.

5. Claims 1-11 and 23 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. It is not clear if by the term “A financial instrument”, the Applicants mean “a method”, “an apparatus” or “a process”. It is not clear as to which statutory class the claimed invention belongs. Clarification is required.

Claims 12-22 and 24 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential structural cooperative relationships of elements, such omission amounting to a gap between the necessary structural connections. See MPEP § 2172.01. In claim 12 it is not clear as to how the steps of providing a convertible security having a first potential financial benefit, providing a first call option that when exercised provides a second potential financial benefit substantially the same as the first potential financial benefit and providing a second call option that when exercised provides a third potential financial benefit different from the second potential financial benefit lead to the claimed objective of structuring a

Art Unit: 3624

financial instrument. Claims 13-22 and 24 are rejected by dependency. Appropriate clarification/correction is required.

Also the preamble of claim 12 recites "A method for structuring a financial instrument". However the body of the claim recites providing three different financial instruments with different rights. Hence the metes and bounds of the claim are indeterminate. Claims 13-22 and 24 are rejected by dependency. Appropriate clarification/correction is required.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-24 are rejected under 35 U.S.C. 103(a) as being unpatentable over Field et al (US Pub. No. 2003/0167218 A1) in view of Seaman (US Pub. No. 2004/0098327 A1).

Claims 1 and 12, Field teaches the step of a financial instrument and a method for structuring a financial instrument comprising of several modular components (See Field Abstract, Figure 4 and Paragraph 10).

Field does not explicitly teach the steps of providing a convertible security having a first potential financial benefit, providing a first call option that when exercised provides a second potential financial benefit substantially the same as the first potential financial benefit; and providing a second call option that when exercised provides a third potential financial benefit different from the second potential financial benefit.

Seaman teaches the step of issuing a hybrid security comprising a bond portion and an option portion (See Seaman Abstract, Figure 1, Paragraphs 4-12, 21-32). The bond portion is interpreted to include a convertible bond and the option portion is interpreted to include one call option. A potential benefit of a bond is the coupon interest (or the discounted price in the case of a zero coupon bond). A potential benefit of the call option is the ability to convert (or buy the underlying equity) at the option of the holder. Clearly the benefit of a convertible bond is different from that of a call option.

Both Field and Seaman are concerned with providing a hybrid financial instrument to the user. It would have been obvious to one of ordinary skill in the art to include the teachings of Seaman to the disclosure of Field. The combination of disclosures suggests that issuers would have benefited from having the financial instruments structured to suit their individual needs and requirements.

Field does not explicitly teach the step providing a second call option that when exercised provides a third potential financial benefit different from the second potential financial benefit.

Options that provide similar potential benefit or different potential benefit are old and well known in the art. For instance when a convertible security has a conversion price and conversion date the same as the exercise price of a call and the expiration date of the call, the potential benefit of the convertible and the call option are the same. If on the other hand if the conversion date differs from the expiration date and/or the conversion price is different from the exercise price the potential benefits are different.

It would have been obvious to one of ordinary skill in the art to include these steps to the disclosure of Field. The combination of disclosures suggests that issuers would have benefited from having the financial instruments structured to suit their individual needs and requirements.

Claims 2-11 and 13-24, the features in these claims are either disclosed in the combined disclosure of Field and Seaman or are old and well known in the art. Combining the features of derivative instruments with traditional instruments like convertible bonds/preferred stocks makes the offering more attractive to the investors compared to traditional straight offering and it also provides tax advantages to the issuer. Hence it would have been obvious to include these features to the combined disclosures of Seaman and Field.

Response to Arguments

8. Applicant's arguments with respect to pending claims have been considered but are moot in view of the new ground(s) of rejection.

Conclusion

9. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Dr. Narayanswamy Subramanian whose telephone number is (571) 272-6751. The examiner can normally be reached Monday-Thursday from 8:30 AM to 7:00 PM. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached at (571) 272-6747. The fax number for Formal or Official faxes and Draft to the Patent Office is (571) 273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PMR or Public PAIR. Status information for unpublished

Art Unit: 3624

applications is available through Private PMR only. For more information about the PMR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

A handwritten signature in black ink, appearing to read "N. Sub", followed by a long horizontal line extending to the right.

Dr. N. Subramanian

May 12, 2006